Nova Scotia Department of Finance
Accountability Report
2009-2010

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1.0 Accountability Statement

The Accountability Report of the Department of Finance for the year ended March 31, 2010 is prepared pursuant to the *Provincial Finance Act* and government policies and guidelines. These authorities require the reporting of outcomes against Department of Finance business plan information for the fiscal year 2009-2010. The reporting of Department of Finance outcomes necessarily includes estimates, judgments and opinions by Department of Finance management.

We acknowledge that this Accountability Report is the responsibility of Department of Finance management. Management attests that the report is, to the extent possible, a complete and accurate representation of outcomes relative to the goals and priorities set out in the Department of Finance Business Plan.

The Honourable Graham Steele
Minister of Finance

Vicki Harnish
Deputy Minister of Finance

2.0 Introduction

The Department plays a key role in assisting government to realize its vision by working to implement a sustainable fiscal plan for the province.

The duties of the Department of Finance, as set out in the Public Service Act are as follows:
(a) examine, advise upon and compile the annual estimates of revenue and expenditures;
(b) inquire into, examine and advise upon expenditures, commitments and prospective expenditures and revenues;
(c) at the Minister's discretion, investigate any matter relating to the receipt and disbursement of public money;
(d) make recommendations generally with a view to promoting economy in the public service; and,
(e) act upon such matters as may be referred to the Minister by the Executive Council.

2.1 Vision

A financially strong province based on sustainable economic development to the benefit of all Nova Scotians.

Mission (as contained in the Department of Finance Business Plan 2009-2010)

To support a sustainable economy through a sound fiscal framework; financial accountability and transparency; and best practice in financial management processes and systems.

2.2 Core Business Areas

Fiscal and Economic Policy

This Branch provides fiscal and economic analysis, policy development and strategic advice by:

- providing economic, tax and fiscal decision support for the Minister, Cabinet and provincial departments and agencies;
- maintaining an equitable, efficient and effective tax regime that supports public services and sustains economic growth;
- providing timely economic and revenue forecasts for government budgets, financial reporting and long term planning; and,
- advancing Nova Scotia's interests on the major federal-provincial fiscal arrangements, including Equalization, Canada Health Transfers and Canada Social Transfer.

Policy and Planning

This Branch works in cooperation with Treasury Board senior management to coordinate the development of the provincial budget and medium-term fiscal plan, and supports intra and interdepartmental policy collaboration. Specific responsibilities include:

- developing and maintaining of provincial fiscal and debt reduction plans;
- coordinating the development of a provincial budget;
- preparing regular forecast updates;
- developing Business Plans, Accountability Reports and other planning documents for the department;
- providing policy analysis and advice to the Minister's Office and executive management on the department's corporate policy responsibilities; interdepartmental policy initiatives; and departmental organization, operations and policy;
- overseeing the department's information management initiatives;
- managing the department's Healthy Workplace Program (HWP); and,
- managing other corporate projects.

Financial Institutions

Financial Institutions promotes and enhances consumer confidence and public trust in the credit unions, insurance and trust and loan sectors through:

- regulating market conduct;
- financial monitoring to protect consumers pertaining to these sectors; and,
- administering and collecting premiums and other taxes levied in the insurance sector.

Liability Management and Treasury Services

Liability Management & Treasury Services manages the treasury function for the Consolidated Fund, the debt portfolio and the borrowing program, and provides advisory and financing services to governmental units, through:

- actively managing the province's debt portfolio and borrowing program in a prudent and efficient manner, with the goal of minimizing cost of debt over the long term and within the context of changing market conditions, minimizing risk, and ensuring continuous access to the markets;
- managing the Consolidated Fund's operational cash flow, including managing daily banking functions, bank transfers, banking relationships, short-term investing and borrowing, and short-term investments of special funds;
- providing cash management services, including loans and investments of Crown corporations, payment and transfer services and electronic banking arrangements;
- providing all post trade settlement and accounting functions for the Province's debt portfolio and investment activities, miscellaneous trust funds and bank

reconciliations, including timely payment of interest and principal on debt issues, timely receipt of investment income and debt proceeds, and accurate forecasting of Provincial Debt Servicing Cost and Investment Income;

- managing relationships with external rating agencies, investors, and broker-dealers to ensure broad understanding of the province's "credit profile", low cost and continuous access to debt markets over time;
- advising the Minister and the Debt Management Committee on current best practices, changing market environment and risk parameters of the debt portfolio, so as to help them make informed decisions on changes in legislation, policies and procedures; and,
- ensuring that the investment and debt management activities are compliant with legislation, policies and procedures. Compliance programs, based on best practices, are in place to adequately monitor and report ongoing investment and debt activities to management and governance committees.

Central Agency Services

The Department of Finance provides a core set of services that support the management of the province's programs and public resources in addition to supporting the core business functions of the department. These services include:

- providing ongoing support for the SAP systems within provincial departments and agencies, school boards, regional housing authorities and six municipalities;
- developing and maintaining a statistical infrastructure consisting of a wide range of census, taxation and administrative data sets that supports evidence-based decision making and program planning, including the Nova Scotia Community Development policy and other government-wide initiatives;
- providing professional accounting advice to all entities within the government reporting entity, working closely with the Office of the Auditor General to ensure financial reporting requirements are met, commenting on new standards being proposed by PSAB, and conducting presentations on financial reporting matters to ensure the government's financial community is aware of changes in accounting and/ or reporting requirements;
- providing central payroll services for all government employees, including pensioners serviced by the Nova Scotia Pension Agency and employees of Nova Scotia Regional School Boards;
- preparing the annual public accounts consisting of the province's consolidated financial statements, supplement book and a compilation of controlled entities' financial statements; and,
- managing payment production over a complex network of interfaces, accounting policies and procedures, and the corporate credit card program.

The Department also hosts the Finance Corporate Services Unit (CSU) that supplies financial services to the departments of Finance; Economic and Rural Development;

and Tourism, Culture and Heritage, as well as several public service appropriations. Human Resources are provided through the Transportation and Public Works CSU and Information Technology infrastructure resources are hosted by the CIO Branch of Treasury Board with the IT Business and Application resources hosted in the CSU at the Department of Natural Resources. Communications staff is assigned to the department by Communications Nova Scotia, and legal expertise is provided through the Department of Justice.

Advisory Services: Crown Agencies and Corporations

This part of the Department is responsible for providing strategic policy advice on Crown agencies and corporations reporting to the Minister of Finance. It also provides a point of contact and communication between these agencies and government. Agencies under the purview of the Minister of Finance are: NS Securities Commission; NS Utility and Review Board; Halifax-Dartmouth Bridge Commission; NS Gaming Corporation; NS Pension Agency; Credit Union Deposit Insurance Corporation; and the NS Liquor Corporation.

Internal Audit

The Internal Audit Centre supports the Deputy Ministers' Audit Committee and its responsibility for the oversight of provincial departments and the related systems of internal control. The Internal Audit Centre provides an independent and objective appraisal of provincial activities. As a result, Internal Audit can add value to operations, streamline costs and/or prevent losses.

3.0 Department Progress and Accomplishments

3.1 Strategic Goals – 2009-2010

The Department of Finance Business Plan for 2009-2010 included the following Strategic Goals for the Department:

1. Produce a sound fiscal plan and ensure transparency and accountability in government fiscal planning and reporting.

2. Enhance the Department's leadership role in identifying and implementing the priorities of the Government of Nova Scotia.

3. Maximize the efficiency and effectiveness of central client services.

4. Continued investment in our people and workplace culture.

3.2 Progress against 2009-2010 Goals and Action Items

This section will provide an overview of Departmental progress and achievements related to its Strategic Goals.

Strategic Goal 1: Produce a sound fiscal plan and ensure transparency and accountability in government fiscal planning and reporting.

The core business of the Department of Finance is fiscal planning, which includes budgeting and forecasting, tax policy, preparation of public accounts and negotiations with the federal government on intergovernmental fiscal matters. Through this role, the department's activities support government in its capacity to deliver on expenditure priorities and commitments.

Priority 1: Support the development and implementation of a provincial Budget.

Action Items:

Provide leadership on economic forecasting during this time of economic uncertainty.

- The Department produced economic forecasts for three Budgets (two Budgets for 2009-10 and one for 2010-11). These forecasts reflected the extraordinary measures undertaken to sustain economies during financial crisis and recession. Budget documents included more extensive discussion of the economy's current performance, outlook and risks.

Implement the Government borrowing plan for 2009-2010 and ensure Government has access to adequate credit to fund its activities.

- A successful borrowing plan of $1.835 billion was executed in 2009-2010 consisting of: $1.15 billion in domestic public markets; $600 million in Medium Term Notes and $85 million in Canada Pension Plan (CPP) rollover.

Support the Government in developing a second 2009-2010 Budget and begin planning for Budget 2010-2011and the longer term fiscal plan.

- The Government tabled a second 2009-2010 Budget on September 24, 2009.

  Planning for the 2010-2011 Budget commenced immediately after the tabling of the 2009-2010 Budget. The focus for the 2010-2011 Budget was on a multi year fiscal plan, balancing the budget by 2013-2014. Included in the multi-year fiscal plan is a 2 percent increase in the HST. Tax policy and analysis work, as well as negotiations for a new Comprehensive Integrated Tax Co-ordination Agreement (CITCA) with Finance Canada were substantially completed by March 31, 2010. The 2010 -2011 Budget was tabled on April 6, 2010.

  As part of the 2010-2011 budget process, the department supported Government by supplying information for the Deloitte Report and the Economic Advisory Panel Report, coordinating the "Back to Balance" public consultations, and developing a medium-term economic outlook in the 2010-11 Budget that fully incorporates the government's plans to return to fiscal balance. This ensures that the government's fiscal planning and economic outlook are consistent with one another.

Priority 2: Maximize the timeliness, reliability and clarity of the government's financial documents and financial public records.

Action Items:

Deliver Public Accounts with an unqualified audit report for the year ended March 31, 2009 by September 30, 2009, as required by the legislation.

- The *Provincial Finance Act* requires the release of Public Accounts by September 30 each year. For 2009-2010, Public Accounts were published on September 11, 2009. The acceleration in the release schedule of Public Accounts requires significant effort and scheduling by Government Accounting staff to improve the timeliness of these documents. Providing Nova Scotians with timely, reliable financial information about the Province remains a priority of the Department.

Provide regular Forecast Updates specified by the Provincial Finance Act so that Nova Scotians have current, accurate information on the state of the provincial economy.

- Nova Scotia's 2009-2010 budget was presented in the House of Assembly on Thursday, September 24, 2009. Because of this, there was no separate forecast update tabled by September 30. The tabled budget served as the financial report referenced in Section 8B (1) of the *Provincial Finance Act*.

  Pursuant to section 8B (1) of the Provincial Finance Act the department tabled forecast updates on December 14, 2009 and April 6, 2010.

  The economic forecasting procedures, assumptions and outputs were reviewed by several internal and external experts, including Deloitte Consulting and the Economic Advisory Panel. In addition, the economic forecasts were subject to review and challenge by internal government experts on economic policy as well as by external private-sector forecasters and the Office of the Auditor General. These reviews found that procedures, assumptions and outputs of the economic forecast lead to a reasonable statement of the likely economic future of the province.

Strategic Goal 2: Enhance the Department's leadership role in identifying and implementing the priorities of the Government of Nova Scotia.

As a central agency of government, the Department contributes to, develops and promotes the use of consistent corporate financial policies across government, and works with departments and agencies to ensure a sustainable long-term fiscal plan.

Priority 3: Continue to help build a strong and sustainable fiscal and economic climate which will attract and retain investment essential for the long term growth of the province.

Action Items:

Continued effective advocacy of Nova Scotia's position with the federal government, on transfers, tax collection and other areas of joint interest or interaction.

- The Department successfully negotiated an additional payment of $74.2 million in 2009-10 based upon re-calculation of Equalization transitional protection provided by the federal government, and an agreement was reached on the definition of 'per capita net debt' for purposes of the second phase of 2005 Offshore Accord.

  A new Tax Collection Agreement (TCA) with Finance Canada for Personal and Corporate Income Tax was completed, as well as a two-year extension of the Reciprocal Taxation Agreement (RTA).

Promote and enhance consumer confidence and public trust in the Credit Union, Insurance and Trust and Loan sectors through regulation of market conduct and financial monitoring.

- Responsibility for credit union inspections was transferred from Financial Institutions to the Credit Union Deposit Insurance Corporation in 2009-2010. Work also progressed on legislative changes to the *Credit Union Act* which will enable the creation of an Atlantic Credit Union Central, a consolidated entity of Nova Scotia, New Brunswick and Prince Edward Island credit unions.

  Work continued throughout 2009-2010 on the Maritime Harmonization Legislation (Insurance), a project of the Maritime Council of Premiers.

Support the Minister of Finance as trustee of the Public Service Superannuation Plan to identify future measures necessary for the long-term sustainability of the Plan, including identification of options and consultation with members and unions.

- Through Budget 2010 and the *Financial Measures (2010) Act*, changes were made to the Public Service Superannuation Plan to ensure the long-term health of the Plan and to protect basic pension benefits. Key changes are as follows:
    - Retirement eligibility- new employees of the Province or of a participating employer on or after April 6, 2010, are not eligible to retire under the existing Rule of 80 (age equals 50 years; age plus years of service equal 80), but are eligible under the Rule of 85 (age equals 55; age plus years of service equal 85).
    - Survivor benefits- reduced survivor benefits for employees who start work on or after April 6, 2010.
    - Indexing- indexing for all pensioners is set at 1.25% per year for a five-year cycle starting January 1, 2011; indexing on a five-year cycle basis after December 31, 2015 will depend on the health of the plan.

Work with provincial and federal colleagues on a national pension review initiative.

- Collaboration with federal and provincial-territorial colleagues resulted in a final report on research delivered to F/P/T Ministers at their meeting in Whitehorse, Yukon in December 2009. Following the December 2009 meeting, collaboration continued to develop options leading into the next F/P/T Finance Minister's scheduled for June 2010.

Support implementation of new tax initiatives, such as the Graduate Retention Rebate.

- The Graduate Retention Rebate was successfully implemented and is being administered by Canada Revenue Agency (CRA).

In conjunction with Service Nova Scotia and Municipal Relations, the Department designed and implemented the New Home Construction HST rebate for fiscal year 2009-2010 and re-instituted the basic electricity rebate on the provincial portion of the HST under Your Energy Rebate for residential energy.

In partnership with Economic and Rural Development as well as stakeholders, the Department researched, analyzed and developed the Manufacturing and Processing Investment Credit.

Other tax initiatives implemented in 2009-2010 include an increase in the rate of the Equity Tax Credit from 30 to 35 per cent and an increase in the maximum annual credit amount from $15,000 to $17,500, as well as a $0.05 per unit increase in the tobacco tax.

Begin preparation for an independent review of Nova Scotia's auto insurance regime, particularly the cap on minor injuries, to ensure that it is appropriate and fair for all including industry, consumers and those affected by accidents.

- Work was completed on the minor injury cap (public consultations complete and legislative changes passed in the spring 2010 sitting). The broader review of the auto insurance regime will remain an action item in 2010-2011.

Priority 4: Provide strong strategic planning and policy support to other government entities.

Action Items:

Continue to provide leadership, analytical and administrative support to "The Future in Focus" initiative.

- The Department published new population estimates on the Community Counts website, built/distributed an expenditure-planning tool for government Departments, and delivered detailed briefings within and outside government on new population projections and their implications for program delivery and labour supply.

Provide support to Government to improve the Province's long term fiscal outlook by identifying cost savings in program delivery over the medium to long term.

- In 2009-2010, an Expenditure Management Initiative (EMI) was established in Treasury Board. The Department of Finance collaborates with Treasury Board to support this initiative.

Coordinate a strengthened approach by government to financial decision-making and management, including increased levels of due diligence and risk assessment and management.

- Through review of 59C submissions to Executive Council, the Department maintains continued over-sight in Government financial decision making. In 2009-2010, the Department completed work to replace the *Provincial Finance*

Act (repealed as of August 1, 2010) with a new *Finance Act* that will provide clarity on spending authorities and reflect current accounting practices.

Provide effective governance, oversight and accountability to crown agencies and corporations under the purview of the Minister of Finance through active communication with agencies/corporations and policy advice to Government.

- The Department continued to provide advice during 2009-2010 on matters involving crown agencies and corporations for which the Minister of Finance is responsible, including working closely with crown agencies to implement several important legislative and policy initiatives. This included participating in the Federal/Provincial/Territorial working groups examining pension reform and retirement income adequacy, implementation of the final phase of the Passport System of securities regulation and working with the Government of Canada and other provinces to monitor progress and provide input to the development process for the Canadian securities regulatory regime.

Strategic Goal 3: Maximize the efficiency and effectiveness of central client services.

The Department of Finance supports and provides business services that enable the whole of government and external clients–e.g., School Boards–to deliver on policy and program responsibilities.

Priority # 5: Increased effectiveness through leveraging our systems to improve business processes.

Action Items

Provide technical and system support services for the implementation of the Health Administrative Systems Project (HASP), including SAP financials, HR/Payroll, business warehouse and automated business workflow capabilities.

- The Department met all technical and system support services to the HASP project per the terms of the Service Level Agreement (SLA); continued to share support strategies to aid in the overall effectiveness of the support model; and provided lessons learned from functional areas, e.g., HR payroll processing.

Implement SAP Upgrades through regular software updates to the various SAP public sector systems to permit improved reliability for all SAP clients

and provide an opportunity to implement enhanced functionality for business users in the future.

- A SAP systems upgrade was initiated for Nova Scotia School Boards in November 2009 (completed May 2010), and a global upgrade was undertaken from SAP version 4.6 c to ECC 6.0, and Oracle DB systems from version 9 to version 10.

Identify and implement back office process improvements for provincial financial services.

- In 2010, the accounting function and staff of the Fisheries and Aquaculture Loan Board transferred to the new Loan Administration Section of the Capital Markets Administration Division.

Centralize departments' payroll transactions within the Department.

- The planning phase to transition payroll transaction processing from seven Client Services Units (CSUs) to a centralized body in the Department of Finance began in September, 2009. In February, 2010 employees were physically moved to the Central location; accountabilities were defined and new processes and procedures were implemented.

Implement systems and interfaces for increased controls and efficiencies through further centralization of payment production services.

- Payment production for Caregivers at Home (Department of Community Services) was completed in 2009, and work to develop a payment production system for the Labour Market Development Agreement (Labour and Workforce Development) and Maintenance Enforcement (Justice) was initiated.

Priority # 6: Enhanced risk identification, assessment and management.

Action Items:

Improve internal controls on financial reporting.

- A Management Assessment of internal controls over financial reporting ("ICFR") was completed for the year ended March 31, 2010. Planning for the 2010 -2011 program is underway.

Continue implementation of more efficient SAP security functionality through re-designed security profiles and installation of control audit software.

- This is an on-going project to improve the manner in which the department manages, monitors and reports on system access within the SAP systems. In 2009-2010, action items under the project included: installation of GRC 5.3 software solution; GRC fit analysis; GRC implementation roadmap; project plan for ESS password reset; and project t plan for support to special access accounts.

Implement revised credit card procedures.

- Revised procedures were developed and are pending approval.

Review and enhance payroll audit functions and standardization of procedures in support of legislative and regulatory compliance.

- Stakeholders within Finance and the PSC collaborated to review system and process controls and to discuss scope, potential resources, and timelines for further analysis and implementation. Given overlap with the SAP Business Enhancement Project, it was decided that this initiative would be deferred until 2010-11 to minimize duplication of effort.

Strategic Goal 4: Continued investment in our people and workplace culture
Promotion of a positive workplace culture, recruitment and retention of staff remain priorities of the department to ensure a sustainable, highly skilled workforce.

Priority #7: Ensure the Department of Finance provides a healthy and supportive workplace through implementation of workplace initiatives

Action Items:

Promote a safe work environment by maintain a current and effective OH&S program and implementing a Violence Prevention Plan.

- The Department OH&S Committee acquired three new members and under took additional training, as well as completing a department-wide workplace hazard assessment. Updates on the department OH&S program are awaiting changes to the PSC corporate plan. A workplace Violence Prevention Program was develop and approved by senior management.

Review and assess the Department of Finance results of the 2009 "How's Work Going" employee survey and develop strategies to address any identified problem areas.

- A senior advisory group was established to lead work on the survey assessment and action plan and four focus groups with staff were held. Work will continue in 2010-2011.

Formalize Departmental Employee Recognition Program.

- A plan was not formalized in 2009-2010. Work will continue in 2010-2011.

Priority #8: Support HR initiatives to ensure continued professional development of staff. This will help to retain and develop a skilled workforce to deliver on the department's priorities and corporate responsibilities.

Action Items:

Ensure all staff participates in the performance management process.

- The Department continues to place a high priority on ensuring that all staff participate in annual performance appraisals that include career development objectives.

Develop and disseminate a revised Orientation Guide for staff and managers.

- A draft Orientation Guide was reviewed by management and used on a pilot basis with the new Payroll Client Relations division. A final version will be published in 2010-2011.

Support the respectful workplace policy through department-wide participation in training and other initiatives.

- Training has been initiated and two staff have become trainers in this program.

Support career planning and skills development by providing support to staff training and professional development opportunities geared to meet identified needs.

- In 2008-09, 76 percent of staff had clearly established Career Plans and 71 percent had professional development opportunities consistent with their Career Plans.

4.0 Financial results

Department of Finance			
	2009-2010 Estimate	2009-2010 Actual	Variance
Program & Service Area	($thousands)	($thousands)	($thousands)
Program Expenses:			
Senior Management	3,297	2,897	(400)
Office of the Assistant Deputy Minister	5,596	5,164	(432)
Corporate Services Unit	1,426	1,238	(188)
Controller (note 1)	20,080	17,824	(2,256)
Total Program Expenses (note 2)	30,399	27,123	(3,276)
Additional Information:			
Fees and Other Charges	(36)	(35)	(1)
Ordinary Recoveries	(3,255)	(3,398)	143
TCA Purchase Requirements (note 3)	7,017	6,299	(718)
Provincial Funded Staff (FTEs) Net	198	172	(26)

Notes: Significant Variance Explanations: 2009-2010 Estimate to 2009-2010 Actual

1. Divisional expenses were $2.3 million under budget resulting from salary savings due to vacancy management of $1.4 million, operational savings of $339 thousand and amortization savings of $538 thousand due to delays in implementation of several SAP projects.

2. Overall, departmental expenses were $3.3 million under budget. Salary savings due to vacancy management were $1.8 million; operating expenses were $930 thousand less than budget and amortization expense was $538 thousand lower than budget due to delays in implementation of several SAP projects.

3. TCA expenses were $718 thousand under budget due to delays in several SAP projects.

5.0 Measuring Our Performance

The supporting data presented below reflect the measures included in the 2009-2010 Business Plan and the most recent information available.

Strategic Goal #1: **Produce a sound fiscal plan with high-level transparency and accountability in government fiscal planning and reporting.**
Core Business: Policy and Planning
Measure: Provincial government debt as a percentage of GDP
Outcome: Effective management of the province's financial operating resources

What does the measure tell us?
Net debt as a percentage of GDP is an indicator of the fiscal sustainability and flexibility of the province. The higher the ratio, the greater the debt burden on the residents of Nova Scotia. A declining ratio indicates that the Net Debt of the Province is declining relative to the size of the overall provincial economy.

Note: The Nominal Gross Domestic Product used in this measure is revised annually for the current year and up to four previous years. This results in some fluctuation in the ratio due to restatements in the GDP numbers by Statistics Canada.

Where are we now?
As at March 31, 2009, the projected Net Debt to GDP ratio stood at 36.0 percent. This represents a decrease from the ratio of 36.7 per cent as at March 31, 2008. The projected forecast for 2009-2010 is 39.4 percent

Where do we want to go?
Combined budgetary deficits from 2009-2010 to 2013-2014 are expected to increase net debt by $1,558 million. The debt-to-GDP ratio will grow from 39.4 percent to a peak of 40.2 percent in 2011-2012, then decline again to 38.9 percent by 2013-2014. This debt will be financed by borrowing monies in capital markets. The Bank of Canada has indicated that it will maintain administered interest rates at low levels until the second half of 2010, but will return rates to normal afterwards. This will translate into higher costs of borrowing for the Province; however, this will be offset to a certain extent by a limited amount of high coupon debt maturing over the next four years.

Strategic Goal #1: Produce a sound fiscal plan with high-level transparency and accountability in government fiscal planning and reporting.
Core Business: Treasury Management
Measure: Credit Spread relative to Ontario
Outcome: Efficient and prudent management of the government's financial assets and liabilities

What does the measure tell us?
The relative cost of borrowing for the government of Nova Scotia as compared to the government of Ontario's cost of borrowing. This measure should, over time, reflect the risk the markets associate with the bonds issued by both to finance the respective provincial debts.

Where are we now?
In 2007-2008 the credit spread relative to Ontario was +3.0 basis points (bps). This was up slightly from the 2006-2007 spread of +0.2 bps, but is very close to on par (100 basis points = 1 per cent). In 2008-2009, Nova Scotia's relative credit spread to Ontario increased to 12 bps as a result of turmoil in the financial markets. As market volatility subsided throughout 2009 into 2010, Nova Scotia's relative spread to Ontario contracted to 3 bps as of March 31, 2010.

Where do we want to go?
Over the short term, it is difficult to identify a realistic goal relative to Ontario's credit spread, given current uncertainty in financial markets. Over the medium to long term, the Government's goal remains to achieve a cost of funds similar to Ontario.

Strategic Goal #1: **Produce a sound fiscal plan with high-level transparency and accountability in government fiscal planning and reporting.**
Core Business: Treasury Management
Measure: Credit ratings by major rating agencies
Outcome: Efficient and prudent management of the government's financial assets and liabilities

What does the measure tell us?
A credit rating is an independent evaluation of a borrower's ability and willingness to pay interest and to repay principal. Rating firms provide investors with these measures of the credit quality of bonds of other financial instruments. A credit rating indirectly affects the borrower's debt servicing costs and the investor's expected rate of return since an investor will demand a higher return on a more risky, lower rated security.

Where are we now?
Good credit ratings help us get better access to long-term debt funding at more attractive rates, which ultimately reduce the cost of our borrowing program. Nova Scotia's credit rating has risen considerably over the past 5 years, but remains low compared to other provinces.

- Nova Scotia's current ratings are:
  - Moody's Investor Services: **Aa2, stable outlook**
  - Standard & Poors' Ratings Services: **A+, stable outlook**
  - Dominion Bond Rating Service (DBRS): **A, positive outlook**
- All rating agencies have cited the Province's commitment to fiscal prudence and sound debt management practices. However, they also note the spending challenges facing the Province, particularly with respect to rising health care costs in all provinces, and Nova Scotia's continued comparatively high debt load.

Where do we want to go?
The Province of Nova Scotia's credit rating favourable momentum has subsided with rising fiscal challenges ahead (in particular, the challenges to slow spending growth). S&P has taken us off of positive outlooks in late 2009 and DBRS is likely to remove the Positive Outlook at its annual review of the Province in the second half of 2010. A positive outlooks means that Nova Scotia would soon be considered for an upgrade. This issue is not unique to Nova Scotia: the recession and its effect on the current credit environment mean that rating agencies will almost certainly not upgrade any province in the medium term.

Strategic Goal # 1: Produce a sound fiscal plan with high-level transparency and accountability in government fiscal planning and reporting.
Core Business: Central Agency Services
Measure: Timeliness of Public Accounts
Outcome: Open and transparent reporting

What does the measure tell us?
Thais measure illustrates the Department's commitment to timely financial reporting and meeting the legislative requirement to release the Public Accounts by September 30.

Where are we now?
We continue to achieve this measure:

- Public Accounts Volumes 1 and 2 for 2008-09 were released on September 11, 2009.
- Public Accounts Volume 3 (the Supplement) for 2008-09 was released on September 11, 2009 – earliest ever release of this volume.

Where do we want to go?
We will continue to file by the legislated final date for reporting of September 30.

Strategic Goal # 2: Strengthen the department's central agency and corporate leadership by enhancing the corporate focus of operational responsibilities and long-term strategic planning.

Core Business: Fiscal and Economic Policy
Measure: Corporate Income and Capital Tax Rates
Outcome: Positive climate for investment and economic growth

What does the measure tell us?

Corporate income and capital tax rates measure the overall marginal taxes on Nova Scotia businesses. These rates are the most visible measure of the tax environment for businesses considering investment in Nova Scotia. This measure tells us the general tax rates applied to business income and to business capital investments. Comparing our tax rates with other jurisdictions is a key indicator of Nova Scotia's competitiveness.

Where are we now?

Business Tax Rates for 2009 Tax Year

	NS	NB	ON	AB	Federal
General income tax	16.0%	12.5%	13.0%[a]	10%	19.0%[c]
Small business income tax	5.0%	5.0%	5.5%	3.0%	11.0%
Large Corporations Tax (Non-financial capital tax)	0.15%[e]	0%[d]	0.225%[b]	0%	0%
Corporations Capital Tax (Financial capital tax)	4.0%	3.0%	0. 45-0.675%	0%	1.25%[f]

a - Ontario offers a 2% credit for manufacturing and processing profits, reducing the effective rates for these activities to 11%.
b- In the 2008 Budget, Ontario eliminated the capital tax for companies in manufacturing and resource industries, effective January 1 2008. The 2007 Budget accelerated the elimination of the Capital Tax for all industries to 0% by July 1, 2010; 18 months sooner than originally planned.
c - The Fall 2007 Economic Update announced the plan to reduce corporate income tax to 15% by 2012.
d - New Brunswick's capital tax was eliminated on January 1, 2009. NB is targeting 8% by 2012 on its general Corporate Income Tax rate.
e - Nova Scotia's Large Corporations Tax continues to be reduced annually towards phase-out by July 1, 2012.
f- The capital tax applies to taxable capital employed in Canada exceeding $1 billion.

Where do we want to go?

The phasing out of the Large Corporations Tax (LCT) by 2012 continues, as announced in the 2006-2007 Budget. In July 2009, this tax rate was reduced by another 0.025 per cent to 0.15 per cent.

The Department continues to review the province's business taxes to assess their long-term competitiveness, efficiency, sustainability and fairness.[1]

The Department of Finance monitors and assesses overall tax levels of Nova Scotia corporate taxpayers and maintains a close working relationship with key stakeholders to ensure tax policy decisions are made with a full appreciation for the key trends and issues.

[1] The Small Business tax rate was reduced to 4.5 percent in Budget 2010.

Strategic Goal # 2: Strengthen the department's central agency and corporate leadership by enhancing the corporate focus of operational responsibilities and long-term strategic planning.

Core Business: Fiscal and Economic Policy
Measure: Personal Income Tax Rates
Outcome: Positive climate for investment and economic growth

What does the measure tell us?

Personal income tax rates and brackets tell us how much provincial tax individuals in different income ranges would have to pay on their next dollar of taxable income. This measure allows for comparing taxes among provinces at different income levels. Personal income tax rates do not measure the overall level of taxation because they ignore how much taxable income Nova Scotians actually earn and how it is distributed among them.

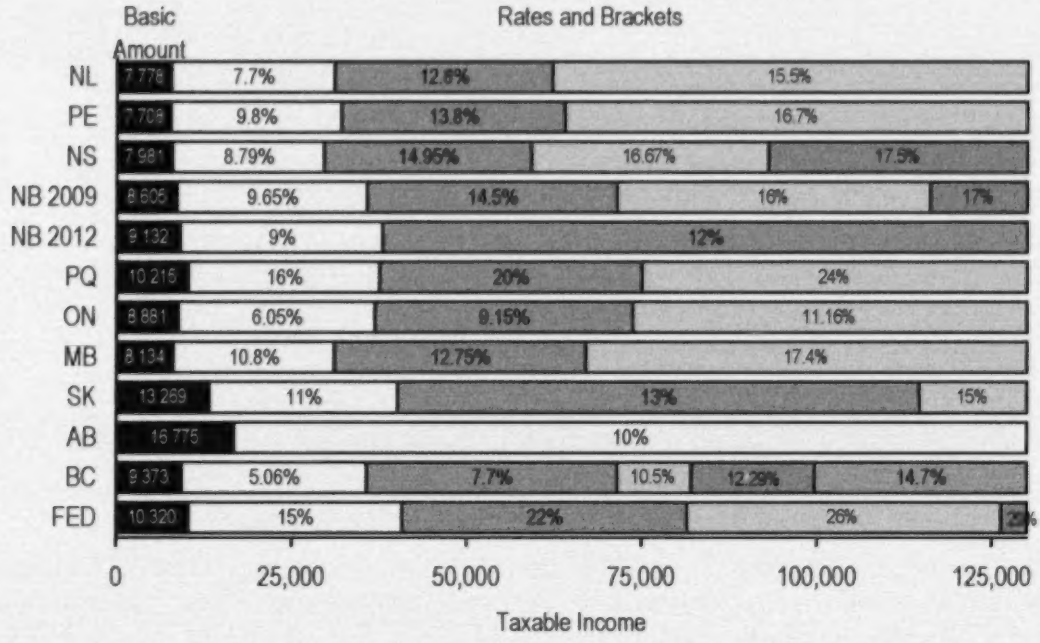
Where are we now?

Nova Scotia's personal tax rates are consistent with other provinces in Atlantic Canada, but higher than elsewhere in Canada. Nova Scotia, Prince Edward Island and Ontario charge surtaxes on high-income earners. Nova Scotia's surtax is calculated at 10 per cent of the gross provincial taxes owing over $10,000[2] while Prince Edward Island's surtax is calculated at 10 per cent of provincial taxes over $12,500. Ontario has two surtaxes of 20 per cent on taxes over $4,257 and 36 per cent over $5,370; these are cumulative for a total surtax rate of 56 per cent.

Nova Scotia's tax brackets are not indexed. Most other provinces have indexed tax brackets that grow every year to account for wage growth and inflation. After an increase of $250 in 2009, the province's basic personal amount of $7,981 is still among the lowest in the country. Most other provinces increase their basic amounts and tax brackets every year. In comparison, the Alberta tax system charges a 10 per cent flat tax on incomes above the 2009 basic amount of $16,775.

[2] Budget 2010 removed the surtax and introduced a new tax bracket (21 percent) on incomes in excess of $150,000.00.

Personal Income Tax Rates in Canada (2009)



Where do we want to go?

The government has introduced a series of tax measures to reduce the level of taxation on individuals. This tax relief is planned in a prudent way to ensure that the government can promote the province's competitiveness with an efficient tax system that meets social needs within the fiscal resources available.

For the 2009 tax year, the basic personal amount exempted from personal income taxes is $7,981, $250 more than in 2008. The basic personal amount has increased by $250 per year as part of a four-year plan to increase the amount by $1,000. The province's other non-refundable credits, including the spousal amount, dependent amount, pension amount, disability amount, and caregiver amount are also growing proportionately (13.83 per cent) over the same period.

In 2009, a Graduate Retention Rebate was introduced for graduates from eligible post-secondary programs after December 31, 2008. The rebate provides university graduates with up to $15,000 in potential tax savings while college graduates are eligible for up to $7,500 in savings. The refundable tax credit for volunteer firefighters and ground search and rescue increased from $375 to $500 in 2009.

Effective January 1, 2010 the Equity Tax Credit rate was increased from 30 per cent to 35 per cent and the maximum annual credit also increased from $15,000 to $17,500.

The Equity Tax Credit and the Labour Sponsored Venture Capital Tax Credit were both extended by two years to December 31, 2011.

The Department will continue to monitor and assess overall tax levels while examining the socioeconomic demographics of Nova Scotia tax payers and maintaining a close working relationship with key stakeholders to ensure tax policy decisions are made with a full appreciation for the key trends and issues.

Strategic Goal # 3: Maximize the efficiency and effectiveness of central client services

Core Business: Central Agency Services
Measure: Internal (Government) access to required IT programs
Outcome: Maximized efficiency and effectiveness in client services

What does the measure tell us?
The measure describes the provision of access and services to our central IT program.

Where are we now?
The Department has streamlined service delivery by providing one point of contact to customers for access and support. A tracking system to document client service issues was implemented and yearly audits are now undertaken to measure compliance with standards and policies that safe guard customer data. In terms of skill development, vacancies in the Corporate Information Systems division are filled with emerging technologies in mind so that staff can easily assume new tasks when systems, certifications and standards are rolled out.

Where do we want to go?
Improving front-line client support is an on-going, long-term goal for the Department's central IT program. Continuing with initiatives already in operation—improving audit requirements and results; low vacancy rate to ensure capacity in client service—will be key.

Strategic Goal # 3: Maximize the efficiency and effectiveness of central client services

Core Business: Central Agency Services
Measure: Enhanced risk identification, assessment and management
Outcome: Maximized efficiency and effectiveness in client services

What does the measure tell us?
Areas where services have been either centralized with standardized controls and processes or updated for improved controls and efficiencies.

Where are we now?
Currently projects are proceeding to provide services to Departments of Labour and Justice, significantly reducing inefficiencies and risks for some very large dollar, high risk payment streams. Corporate credit card policies have been revised and are being formatted for approval and release.

Where do we want to go?
Unless a strong business case exists to support otherwise, we will continue to eliminate areas where payment production is done outside the standard controls and processes. Efforts to improve efficiencies, policies and procedures will continue.

The Department will be launching the Business Enhancement Project, which is designed to leverage the Province's investment in corporate information systems. In addition to stream-lining practices in accounts payable, accounts receivable and payroll transactions, the initiative will provide greater use of electronic forms and approvals and improve reporting and analytical capabilities throughout government.

Strategic Goal # 4: Continued investment in our people and workplace culture

Core Business: Policy and Planning

Measure: Proportion of staff receiving performance appraisals in compliance with corporate standards

Outcome: Effective HR investments

What does the measure tell us?

Performance appraisals (PA) are a core foundation of personnel and succession management. PAs help to identify the training and development needs of staff, as well as levels of job satisfaction. Training and development links the program needs of the department with the skills and expertise of staff, and help to build leadership and professional capacity. This measure will help ensure that the information needed for a successful personnel and succession management program for the department is collected.

Where are we now?

Bargaining Unit:

2008-2009 - 75%
2007-2008 - 73%
2006-2007 - 91%
2005-2006 - 81%
2004-2005 - 40%

Non-Bargaining Unit

2008-2009 - 89%
2007-2008 - 93%
2006-2007 - 91%
2005-2006 - 89%
2004-2005 - 91%

Where do we want to go?

The Department is working towards 100 per cent of staff annual performance appraisals.

Strategic Goal # 4: Continued investment in our people and workplace culture
Core Business: Policy and Planning
Measure: Percentage of staff with career plans
Outcome: Reduced vacancy rate

What does the measure tell us?
Career Plans are a key part of personnel and succession management, and a clearly established career plan ensures that the Performance Appraisal (PA) discussion has been followed through.

Where are we now?
In 2008-2009, as part of the PA process, 76 percent of Department staff has established career plans.

Where do we want to go?
Ideally, the Department would like to have a 100 percent completion rate, as with the PA process.

Strategic Goal # 4: Continued investment in our people and workplace culture

Core Business: Policy and Planning

Measure: Percentage of staff provided professional development opportunities consistent with career plans

Outcome: Reduced vacancy rate

What does the measure tell us?

This measure reveals the extent to which training and development opportunities support established career plans and, therefore, the efficiency of training and development activities.

Where are we now?

In 2008-2009, 71.5 percent of staff were provided professional development opportunities consistent with career plans. This includes training courses as well as opportunities through day-to-day Department operations (e.g., participation at interdepartmental committees).

Where do we want to go?

Ideally, the Department would like to improve performance.

Strategic Goal # 4: Continued investment in our people and workplace culture

Core Business: Policy and Planning
Measure: Staff participation in Respectful Workplace Training
Outcome: Reduced vacancy rate

What does the measure tell us?
At a basic level, this measure tells how many employees have taken the required half-day "Respectful Workplace" course offered through the Public Service Commission (PSC).

Where are we now?
As of March 2010, 175 staff had taken required Respectful Workplace training.

Where do we want to go?
The Department will work to ensure that staff are aware and have management support to attend training.

Strategic Goal # 4: Continued investment in our people and workplace culture
Core Business: Policy and Planning

Measure: Percentage of staff with current Violence Prevention training
Outcome: Reduced vacancy rate

What does the measure tell us?
This measure tells the number of staff that have participated in Violence Prevention training.

Where are we now?
Due to operational restraints, training did not begin until very early in the 2010-2011 fiscal year.

Where do we want to go?
Training has begun (Payroll Client Relations- 66 percent complete) and will continue in 2010-2011.